



SMALL BUSINESS ADMINISTRATION

[Docket No. SBA-2022-0002]

Community Advantage Pilot Program

AGENCY: Small Business Administration.

ACTION: Notice; request for comments.

SUMMARY: To support the Small Business Administration’s (“SBA” or “Agency”) commitment to expanding access to capital for eligible small businesses in underserved markets and to refine and improve the Community Advantage (“CA”) Pilot Program, the purpose of which is increasing 7(a) loans to small business in underserved markets, SBA is issuing this notice to extend the term of the CA Pilot Program through September 30, 2024, and to remove the temporary moratorium on the SBA’s acceptance of new Community Advantage Lender Participation Applications (“CA Lender Applications”).

DATES: The changes identified in this notice take effect [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]. SBA will begin accepting new CA Lender Participation Applications [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]. The CA Pilot Program will remain in effect until September 30, 2024.

Comment Date: Comments must be received on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit comments, identified by SBA docket number SBA-2022-0002, by any of the following methods:

- Federal eRulemaking Portal: <https://www.regulations.gov/>. Follow the instructions for submitting comments.
- Mail: Darrel Eddingfield, Office of Financial Assistance, U.S. Small Business Administration, 409 Third Street SW, Washington, DC 20416.

• Hand Delivery/Courier: Darrel Eddingfield, Office of Financial Assistance, U.S. Small Business Administration, 409 Third Street SW, Washington, DC 20416.

SBA will post all comments on <https://www.regulations.gov>.

If you wish to submit confidential business information (“CBI”) as defined in the User Notice at <https://www.regulations.gov>, please submit the information to Darrel Eddingfield, Office of Financial Assistance, U.S. Small Business Administration, 409 Third Street SW, Washington, DC 20416; or send an email to communityadvantage@sba.gov. Highlight the information that you consider to be CBI and explain why you believe SBA should hold this information as confidential. SBA will review the information and make the final determination as to whether it will publish the information.

FOR FURTHER INFORMATION CONTACT: Darrel Eddingfield, Office of Financial Assistance, U.S. Small Business Administration, 409 Third Street SW, Washington, DC 20416; telephone: (202) 516-6676; email: darrel.eddingfield@sba.gov.

SUPPLEMENTARY INFORMATION:

1. Background

As part of its efforts to increase the number of SBA-guaranteed 7(a) loans made to small businesses in underserved markets, on February 18, 2011, SBA issued a notice and request for comments introducing the CA Pilot Program (76 FR 9626). That notice provided an overview of the CA Pilot Program requirements and, pursuant to the authority provided to SBA under 13 CFR 120.3 to suspend, modify or waive certain regulations in establishing and testing pilot loan initiatives, SBA modified or waived as appropriate certain regulations which otherwise apply to 7(a) loans for the CA Pilot Program.

Subsequent notices made changes to the CA Pilot Program to improve the program experience for participants, improve their ability to deliver capital to

underserved markets, and appropriately manage risk to the Agency. These notices were issued on the following dates: September 12, 2011 (76 FR 56262), February 8, 2012 (77 FR 6619), November 9, 2012 (77 FR 67433), December 28, 2015 (80 FR 80872), September 12, 2018 (83 FR 46237), March 2, 2020 (85 FR 12369), and July 15, 2020 (85 FR 42964). In the notice published September 12, 2018 (the “September 2018 Notice”), SBA extended the pilot program to September 30, 2022, and implemented a temporary moratorium on the acceptance of new Community Advantage Lender Participation Applications (“CA Lender Applications”) effective October 1, 2018, among other changes to the CA Pilot Program. This Notice announces SBA’s intention to extend the CA Pilot Program through September 30, 2024, and to remove the temporary moratorium on the acceptance of new CA Lender Applications. This extension and the acceptance of new CA Lenders will enable SBA to better evaluate the impact of the CA Pilot Program. As indicated in prior *Federal Register* Notices, SBA will evaluate the CA Pilot Program to refine the program and to determine whether it should be made permanent, with evaluation criteria including, but not limited to, whether the pilot is achieving its objective(s), impact on job creation and retention, impact on business creation and/or business expansion, whether the costs (including losses) of the pilot are within an acceptable range, and portfolio performance as it relates to other 7(a) programs. SBA will consider additional program enhancements to streamline the process for mission-based Lenders to make loans in underserved markets. Further, SBA will examine data to evaluate the effectiveness of adding new CA Lenders towards the outcome of increasing loan approval volume to small businesses in underserved markets. Effective 30 days from the date of this Notice, SBA will accept new CA Lender Applications using SBA Form 2301, Community Advantage Lender Participation Application (<https://www.sba.gov/document/sba-form-2301-community-advantage-lender-participation-application>). Additional guidance may be found in the Community

2. Comments

Although the changes take effect [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER], comments are solicited from interested members of the public on all aspects of the CA Pilot Program. Comments must be submitted on or before the deadline for comments listed in the DATES section. SBA will consider these comments and the need for making any revisions as a result of these comments.

3. Changes to the Community Advantage Pilot Program - Lifting the Moratorium on Acceptance of New CA Lender Applications

SBA stated in the September 2018 Notice that it limited the number of lenders participating in the CA Pilot Program to allow the Agency to test new methods for expanding access to capital for small businesses in underserved markets. Each year since FY 2018, the number and dollar amount of CA loans approved and number of CA Lenders making a loan during the fiscal year has decreased¹. In FY 2018, 1,118 CA loans totaling \$157,529,500 were approved by 75 CA Lenders. In FY 2021, 565 CA loans totaling \$82,834,100 were approved by 64 CA Lenders. As of March 9, 2022, which is nearly halfway through FY 2022, 260 CA loans totaling \$38,104,200 were approved by 46 CA Lenders. Additionally, of the 108 total CA Lenders approved to participate in the program, only 96 CA Lenders have any outstanding CA loans in their portfolio. Based on this analysis, the Agency has determined that the CA Pilot Program is not reaching its goal of providing capital to small businesses in underserved markets due to the small number of CA loans being made. Therefore, the Agency is lifting its moratorium on accepting new CA Lender Applications in order to increase the number of active CA Lenders making CA loans.

¹ The exception is FY 2019, where the number of CA Lenders making a CA loan remained constant at 75.

The extension of the CA Pilot Program through September 30, 2024, and the acceptance of new CA Lenders will enable SBA to better evaluate the impact of the CA Pilot Program. SBA will evaluate the CA Pilot Program to refine the program and to determine whether it should be made permanent, with evaluation criteria including, but not limited to, whether the pilot is achieving its objective(s), impact on job creation and retention, impact on business creation and/or business expansion, whether the costs (including losses) of the pilot are within an acceptable range, and portfolio performance as it relates to other 7(a) programs.

4. General Information

The changes in this notice are limited to the CA Pilot Program only. All other SBA Loan Program Requirements and regulatory waivers or modifications related to the CA Pilot Program remain unchanged.

SBA has provided more detailed guidance in the form of a Participant Guide, which will be updated to reflect these changes and will be available on SBA's website at <http://www.sba.gov>. SBA may provide additional guidance, through SBA notices, which may also be published on SBA's website at <http://www.sba.gov/category/lender-navigation/forms-notices-sops/notices>. Questions regarding the CA Pilot Program may be directed to the local SBA district office. The local SBA district office may be found at <http://www.sba.gov/about-offices-list/2>.

Authority: 15 U.S.C. 636(a)(25) and 13 CFR 120.3.

Isabella Guzman,
Administrator.

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